Stephen F. Austin State University

Scholarship Administration Audit

As of December 31, 2025

Audit Report 26-106

Department of Audit Services

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EXECUTIVE SUMMARY

BACKGROUND

The Department of Audit Services has completed an audit of Scholarship Administration. Stephen F. Austin State University (University), through the Office of Financial Aid and Scholarships, administers financial aid to students interested in attending or currently attending the University. Financial aid encompasses assistance from a variety of funding sources including scholarships. Scholarships are typically merit-based and do not need to be repaid. They can come from various sources, including schools, private organizations, and nonprofits.

According to the University's financial records, scholarships were disbursed to 5,527 students during Fall 2025, as summarized below.

Fall 2025 Disbursed Scholarship Awards		
Scholarship Category	$ of Awards	Count of Award
Academic Excellence	$ 3,782,875	2,152
Athletic Scholarships	$ 2,658,780	596
Lumberjack Education Assistance Program (LEAP)	$ 8,950	116
Lumberjack Transfer Scholarship	$ 465,750	677
Outside Scholarships[1]	$ 1,892,089	1,423
Purple Promise	$ 2,088,248	1,289
Other scholarships[2]	$ 3,929,816	3,557
Total Scholarship Awards	**$ 14,856,508**	**9,810**

[1]These awards are coded to fund code 3OUTSD.

[2]These awards include the remaining institutional, departmental, and endowed funds.

The University's Handbook of Operating Procedures (HOP) 04-201, *Administration of Scholarships*, states, "The Office of Financial Aid and Scholarships is responsible for the management and maintenance of the scholarship database. The database provides a consolidated source for scholarship criteria, electronic scholarship applications, committee assignments, available disbursement amounts, and reports." Currently, the University uses:

- Academic Works as its scholarship database. Currently, a new scholarship software application, Scholarship Universe, is being implemented.
- Banner to document all financial aid offered, awarded, and disbursed to the student's account.
- Slate to document admissions data and recruitment activities.

AUDIT OBJECTIVE(S) and SCOPE

The audit objective was to gain assurance that controls and processes for scholarships exist and are operating as intended and to determine if scholarships are in compliance with donor restrictions, if applicable.

The audit scope included scholarships for the Fall 2025 semester as well as current policies, procedures, systems, controls, and records.

SUMMARY OF RESULTS

We gained assurance that controls and processes for scholarships exist, are operating as intended with some exceptions, and are generally in compliance with donor restrictions. While performing our audit, we noted opportunities to strengthen controls, enhance compliance, or improve processes. Additional details can be found in *Details of Audit Observations*.

Observation(s)	Rating*
1 – Scholarship Governance	High
2 – Scholarship Data Integrity	High
3 – Scholarship Committee Administration	Medium
4 – Scholarship Administration - Conflicts of Interest	Medium
5 – Endowment Scholarship Compliance	Medium
6 – Endowed Athletic Scholarships	Medium
7 – Contingency Planning Procedures	Medium
8 – Common Data Set	Medium

** See Appendix 1 for Observation Rating descriptions*

ACKNOWLEDGMENTS

We appreciate the assistance provided to us during our audit by The Office of Financial Aid and Scholarships, Office of Enrollment and Student Engagement, Admissions, Student Business Services, Advancement Services, Information Technology Services, and Intercollegiate Athletics.

6/10/2026

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DETAILS OF AUDIT OBSERVATIONS

Observation 1: Scholarship Governance

Background: HOP 04-201, *Administration of Scholarships*, states, "The Office of Financial Aid and Scholarships is responsible for oversight of the university's comprehensive scholarship program and acts as a liaison between academic departments, the SFASU Foundation, and Admissions. The Office of Financial Aid and Scholarships sets deadlines, ensures that departments adhere to scholarship guidelines, and verify that funds are spent according to agreements as well as institutional, state, and federal regulations."

HOP 03-303, *Lumberjack Education Assistance Program*, states that an outside scholarship is, "A scholarship provided by a private donor, foundation, business, or other sources external to Stephen F. Austin State University, SFASU Foundation, Inc., and SFASU Alumni Association."

In addition, according to Integrated Postsecondary Education Data System (IPEDS), "IPEDS defines scholarships and fellowships as outright grants-in-aid, trainee stipends, tuition and fee waivers, and prizes awarded to students by the institution, including Pell grants. Regardless of the source of funds, it is considered a scholarship or fellowship if the institution awards it."

Observation: During our audit procedures, we noted the following:

- A centralized inventory of all available scholarships is not currently maintained. In addition, the Office of Financial Aid and Scholarships did not have documentation for some non-endowed scholarships regarding the purpose, criteria, and/or expectations for each award.

- Procedures for reconciling scholarship awards across systems have not been established, which resulted in some scholarships being awarded in Academic Works for Fall 2025 that were not disbursed in Banner.

- Inconsistent application of scholarship classification.

Observation Rating: High

Recommendation: Management should add and strengthen controls related to scholarship administration governance.

Management Response: Management will strive to enhance the robustness of the current scholarship inventory by researching older scholarships that were not documented at the time of their creation. Additionally, we will assign our analyst to reconcile data between Banner and the scholarship database during the implementation of our new software. The management and classification of scholarships will remain a collaborative effort between the Financial Aid and Scholarship Office, the Office of Advancement, and the Finance Department.

Responsible Party: Senior Vice President of Enrollment and Student Engagement

Implementation Date: December 31, 2026

Observation 2: Scholarship Data Integrity

Background: HOP 04-201, *Administration of Scholarships*, states, "The university has established these guidelines to ensure fair treatment for all eligible students who apply for scholarship assistance and effective and compliant administration of scholarships." In addition, the policy states, "The Office of Financial Aid and Scholarships is responsible for the management and maintenance of the scholarship database. The database provides a consolidated source for scholarship criteria, electronic scholarship applications, committee assignments, available disbursement amounts, and reports."

Observation: During our audit procedures, we noted the following:

- Instances where Grade Point Average (GPA) data recorded in Banner and Slate did not align with information on prospective student transcripts which may result in exclusion from scholarship opportunities.

- 1 of 35 (3%) sampled endowed scholarships reflected inconsistent award processing between Academic Works and Banner.

Observation Rating: High

Recommendation: Management should strengthen controls to ensure accurate and reliable data for scholarship administration.

Management Response: Management will collaborate with Admissions Enrollment Processing to address and resolve data variances between Slate/Banner and prospective student transcripts, potentially by developing an exception report. Admissions is currently working with an AI product to convert data and hopes to eliminate these types of errors.

The award processing discrepancy between Academic Works and Banner involved an eligible renewal student. Moving forward, we will aim to configure the new software to encompass all potential renewal categories to prevent such inconsistencies.

Responsible Party: Senior Vice President of Enrollment and Student Engagement

Implementation Date: December 31, 2026

Observation 3: Scholarship Committee Administration

Background: HOP 04-201, *Administration of Scholarships*, states, "The Office of Financial Aid and Scholarships is responsible for oversight of the university's comprehensive scholarship program and acts as a liaison between academic departments, the SFASU Foundation, and Admissions. The Office of Financial Aid and Scholarships sets deadlines, ensures that departments adhere to scholarship guidelines, and verify that funds are spent according to agreements as well as institutional, state, and federal regulations."

Observation: During our audit procedures, we noted the following:

- The Office of Financial Aid Scholarship Committee is comprised of one University employee with no additional levels of review and/or participation.
- The Financial Assistance & Scholarship Committee is referenced inconsistently across University documents and resources.
- 5 of 35 (14%) sampled endowed scholarships still reflect the Alumni Foundation, which is inactive, as the selection committee.
- 5 of 35 (14%) sampled endowed scholarships had qualified applicants in the applicant pool, but no award was made by the applicable scholarship committee.
- 8 of 8 (100%) sampled non-endowed scholarships did not have consistent or clear documentation as to the reasoning for recipient selection.
- The General Deposit Scholarship and General University Scholarship did not have consistent or clear documentation as to the reasoning for recipient selection.
- 7 of 35 (20%) sampled endowed scholarships were maintained in Academic Works but were awarded after the scholarship cycle closed; as a result, the awards were not documented in Academic Works.
- 1 of 35 (3%) sampled endowed scholarships had no applicants in the Academic Works applicant pool, so the scholarship was awarded to a student outside of Academic Works. The documentation provided was not clear as to the eligibility of the recipient.

Observation Rating: Medium

Recommendation: Management should strengthen controls to ensure appropriate segregation of duties, clarification of committee naming, and effective use of scholarship funds.

Management Response: Management will expand the department committee to include multiple members to promote better segregation of duties. Management will also review naming conventions and recommend alignment across the relevant areas, including Academic Affairs and University Advancement. The Office of Advancement has updated many historical documents referencing the "Alumni Committee" in older memorandums of understanding. We will discuss the ongoing need for revisions to these documents.

Management will continue to engage with departments that have not yet made selections and encourage timely decision-making.

Additionally, management aims to enhance the current scholarship inventory by researching older scholarships that were not documented at the time of establishment. We are transitioning to a new software platform that allows for processing scholarships over a longer time frame, which should address the previous inconsistencies between the existing system and the new platform.

Responsible Party: Senior Vice President of Enrollment and Student Engagement

Implementation Date: December 31, 2026

Observation 4: Scholarship Administration - Conflicts of Interest

Background: HOP 04-201, *Administration of Scholarships*, states, "A conflict of interest can occur when personal interests affect the performance of a professional obligation to the university. All SFA employees who are part of a scholarship committee or have access to the scholarship software will be required to annually disclose potential conflicts of interest." It also states that, "All students offered scholarships are required to complete a Conflict of Interest and Disclosure form."

Observation: During our audit procedures, we noted the Conflict of Interest and Disclosure form, required for all scholarship recipients, only addresses governing board relationships and does not address other potential University conflicts of interest. We identified 141 scholarship recipients with familial relationships to employees.

Observation Rating: Medium

Recommendation: Management should strengthen controls to ensure potential conflicts of interest are considered during the scholarship administration process.

Management Response: Management will introduce an additional question to the award acceptance process to gather conflict of interest statements from students regarding SFA employees. This change will be implemented in the new software for the 2027-2028 award year. Subsequently, we will review and compare any responses from the selection committee to identify any potential conflicts of interest.

Responsible Party: Senior Vice President of Enrollment and Student Engagement

Implementation Date: September 30, 2026

Observation 5: Endowment Scholarship Compliance

Background: University of Texas System (UTS) Policy 117, *Endowment Compliance Plan Systemwide Standards and Guidelines*, states, " The U. T. System institution and U. T. System Administration should ensure that each endowment is used for the purposes(s) intended by the donor(s) and in accordance with the terms of the official document(s) associated with the establishment and approval of the endowment by the Board of Regents or its designee(s)."

HOP 04-201, *Administration of Scholarships*, states, "Endowed scholarships will be entered into the [scholarship database system]."

Observation: During our audit procedures, we noted the following:

- 5 of 35 (14%) sampled endowed scholarships had award criteria in Academic Works that did not match the criteria set by the donor agreement.

- 4 of 35 (11%) sampled endowed scholarships are not entered into Academic Works.

Observation Rating: Medium

Recommendation: Management should strengthen controls to ensure endowed scholarships are accurately recorded in the scholarship database and awarded in accordance with donor intent.

Management Response: Management will review the criteria and implement necessary updates to the software accordingly. We will collaborate with Athletics and Advancement to incorporate these athletic scholarships into the scholarship management system as soon as feasible.

Responsible Party: Senior Vice President of Enrollment and Student Engagement

Implementation Date: September 30, 2026

Observation 6: Endowed Athletics Scholarships

Background: UTS Policy 117, *Endowment Compliance Plan Systemwide Standards and Guidelines*, states, "The U. T. System institution and U. T. System Administration should provide annual reports to the donor(s) of each endowment. The report should summarize the major activities associated with the endowment, include a financial statement for the endowment for the report period and, when appropriate, provide information on the holder(s) or the recipient(s) of the endowment."

Observation: During our audit procedures, we were unable to determine which athlete(s) were awarded endowed athletic scholarships.

Observation Rating: Medium

Recommendation: Management should strengthen procedures to ensure individual recipients of endowed athletic scholarships are identifiable.

Management Response: Management will strengthen procedures to ensure individual recipients of endowed athletic scholarships are identifiable.

Responsible Party: Vice President and Director of Athletics

Implementation Date: October 31, 2026

Observation 7: Contingency Planning Procedures

Background: Information Technology Services (ITS) Policy 14.1.8, *IT Contingency Planning*, states "Contingency planning for information systems is part of an overall organizational program for achieving continuity of operations for mission/business operations. Contingency planning addresses both information system restoration and implementation of alternative mission/business processes when systems are compromised." The policy also states, "This policy is applicable to individuals that, through the use of an account, access information and technology resources at SFA as well as those responsible for the management of accounts or access to shared information or network(s). This policy covers departmental accounts as well as those managed centrally."

Observation: During our audit procedures, we noted there is no established contingency plan for Academic Works. The University is currently implementing a new scholarship database, Scholarship Universe.

Observation Rating: Medium

Recommendation: Management should establish and document a contingency plan for the scholarship database system(s).

Management Response: Management will establish and document a contingency plan for the scholarship database system(s).

Responsible Party: Senior Vice President of Enrollment and Student Engagement

Implementation Date: September 30, 2026

Observation 8: Common Data Set

Background: The Common Data Set initiative is a collaborative effort among data providers in higher education and publishers as represented by the College Board, Peterson's, and U.S. News & World Report. The Common Data Set's data collection process captures some information with uniform definitions across the board that isn't available from the other major college resource: the government's Integrated Postsecondary Education Data Set, part of the U.S. Department of Education.

Observation: During our audit procedures, we noted that Section H1 Aid Awarded to Enrolled Undergraduates of the Common Data Set for 2025-2026 was incorrect.

Observation Rating: Medium

Recommendation: Management should correct the Common Data Set report for 2025-2026 and provide the updated report to the appropriate reporting bodies.

Management Response: Management is working with the Office of Strategic Analytics and Institutional Research and ITS to report the corrected data.

Responsible Party: Senior Vice President of Enrollment and Student Engagement

Implementation Date: September 30, 2026

APPENDIX 1 SFASU AUDIT SERVICES OBSERVATION RATINGS

Audit Services uses professional judgment to rate the audit observations identified in audit reports. The audit observation ratings are determined based on the risk or effect of the issues in relation to the audit objective(s), along with other factors. These factors include, but are not limited to, financial impact; potential failure to meet area/program/function objectives; level of compliance with laws, regulations, and other requirements or criteria; adequacy of the design of control activities and information system activities; level of potential fraud, waste, or abuse; control environment; history of audit issues; and other pertinent factors.

The table below provides a description of the audit observation ratings used by SFASU Audit Services.

SFASU Audit Services Observation Ratings	
Rating	Description
Priority	The audit observation presents risks or issues that if not addressed could critically impact the University as a whole or the area/program/function audited. Immediate action is needed to address the audit observation. Priority observations are reported to the UT System Audit, Compliance, and Risk Management Committee.
High	The audit observation presents risks or issues that if not addressed could substantially impact the University as a whole or the area/program/function audited. Prompt action is needed to address the audit observation and reduce risks to a more desirable level.
Medium	The audit observation presents risks or issues that if not addressed could moderately impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation and reduce risks to a more desirable level.
Low	The audit observation does not present significant risks or issues that could negatively impact the University as a whole or the area/program/function audited. Action is needed to address the audit observation.

Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or pre-exit meeting.

APPENDIX 2 AUDIT METHODOLOGY AND CRITERIA

METHODOLOGY

We performed our audit in accordance with the *Global Internal Audit Standards* and *Generally Accepted Government Auditing Standards* (GAGAS). The standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for findings and conclusions based on our audit objectives. The Department of Audit Services is independent per both standards for internal auditors. Auditors communicated other, less significant issues separately to university management.

The audit methodology consisted of performing a risk assessment; reviewing applicable policies, procedures, laws, and best practices; assessing internal controls; interviewing appropriate University personnel; evaluating opportunities for fraud to occur; testing for compliance; relying on previous work performed; reviewing supporting documentation; and performing other procedures as deemed necessary.

CRITERIA

The audit criteria included:

- University of Texas System policies.
- University procedures.
- Other sound higher education Financial Aid guidelines and practices.